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1997

Ontario Budget

Budget Highlights

Investing in the Future



The Honourable Ernie Eves, Q.C.
Minister of Finance



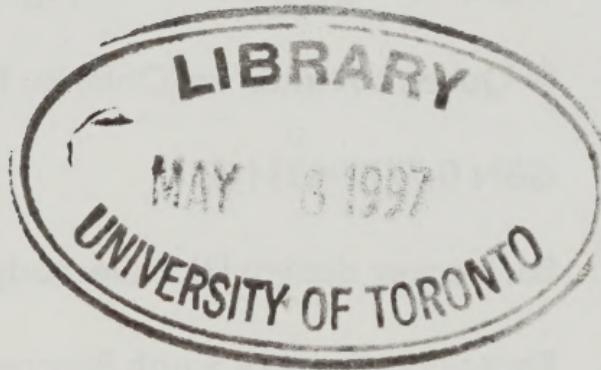


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**Presented to the Members of the
Legislative Assembly of Ontario by
The Honourable Ernie Eves, Q. C.
Minister of Finance
May 6, 1997**

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INVESTING IN THE FUTURE

Under the leadership of Premier Mike Harris, our plan allows Ontarians to keep more of their hard-earned money; it invests in health care, classroom education and safe communities; it reduces the size of government and ensures that taxpayers' dollars are spent more wisely.

Our Government is turning the economy around. We recognize that all Ontarians deserve opportunity and a job, with the personal dignity and security that a job brings.

Ontario Finance Minister Ernie Eves

BALANCING THE BUDGET

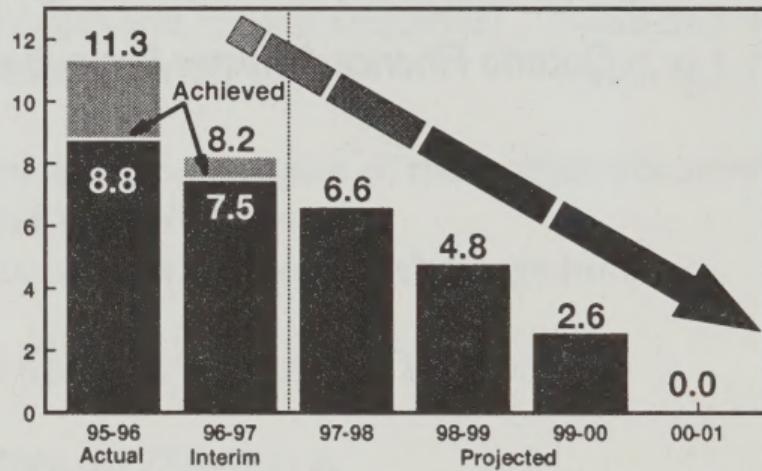
The deficit for the fiscal year 1996-97 will be \$7.5 billion, an improvement of \$710 million over the 1996 Budget plan.

For the fiscal year 1997-98, our Budget plan projects a deficit of \$6.6 billion. The deficit will be reduced further to \$4.8 billion next year or some 58 per cent less than the deficit we faced on taking office.

Ontario's Balanced Budget Plan on Track

Medium Term Deficit Targets

\$ Billions



Note: The potential deficit outlook as of June 1996 of \$11.3 billion and the actual deficit of \$8.8 billion in 1995-96 have been restated to reflect the reclassification of GO Transit and the Ontario Housing Corporation to government service organizations.

Our Balanced Budget Plan will ensure that the deficit is eliminated by the year 2000-01.

Once the budget is balanced, we will put in place a program to cut Ontario's debt to ensure that our children have the opportunities they deserve.

ONTARIO'S ECONOMY – STRONG, AND GETTING STRONGER

Ontario's economy is responding to the Government's plan to make Ontario, once again, a province of jobs and opportunity.

The housing market continues to strengthen and the number of housing starts is projected to rise by 29.1 per cent in 1997.

In March alone, the Ontario economy created 45,600 new jobs. Reflected in this increase is the largest monthly private sector job gain on record.

Private sector economists have identified the rising trends in consumer spending, housing activity, new orders and overtime activity as strong leading indicators of accelerating job growth.

The Royal Bank, for example, is predicting an increase of 700,000 net new jobs in Canada over the next two years.

According to the Bank, Ontario is expected to account for well in excess of its normal share of that job growth.

While this pace of job creation is an improvement, it's not acceptable to this Government. Ontario's economy can and will do better.

We need to continue to cut taxes. We need less government. We need to continue to reduce the regulation and red tape that discourage businesses and we need to continue to create an environment that encourages communities and small businesses to grow and create jobs.

Ontario Finance Minister Ernie Eves

INVESTING FOR JOBS AND GROWTH

Helping Communities to Grow and Small Business to Create Jobs

Small businesses create jobs - more than any other sector. As noted by the Committee on Small Business Access to Capital, small businesses need better access to financing to help them grow and create jobs.

The Government will help small businesses by creating Community Small Business Investment Funds. The Government will introduce legislation to make these funds eligible as investments for Labour Sponsored Investment Funds and the small business investment tax credit for banks.

Enterprise Centres for Small Businesses will provide new and growing businesses with coaching and mentoring in business planning, marketing, accounting and overall business strategy.

Banks also have a role to play in small business development. The small business investment tax credit for banks, announced in the 1996 Budget as a temporary incentive, allows banks to earn back a surtax by investing in small business. To help increase small business access to financing, we are announcing a number of measures to enrich this earn-back program. The credit will also be made permanent.

The Canadian Imperial Bank of Commerce has taken a leadership role in providing loans to small businesses at below-prime interest rates. To encourage other financial institutions to follow, the ability to earn back taxes will be extended to encourage loans of \$50,000 or less to small businesses at interest rates below bank prime.

Investing in Rural Communities

To create jobs in rural Ontario, we are announcing a three-year, \$30-million Rural Job Strategy. As part of this strategy, 3,000 jobs for youth will be created in rural Ontario this summer.

Investing in Jobs for Young People

This Budget provides an additional \$6 million to help 40,000 young people get needed work experience and income this summer.

To help graduates struggling to get experience in a tough job market, the Government will provide a 10 per cent tax

credit to both large and small private-sector employers to create 45,000 internship jobs over the next three years.

Working in co-operation with banks and private sector business organizations, the Government will contribute \$2.5 million toward business start-up loans for unemployed youth. These loans will support the creation of more than 3,000 jobs.

The Government will also support jobs for youth in key sectors of the economy by expanding the successful Co-operative Education Tax Credit announced in last year's Budget.

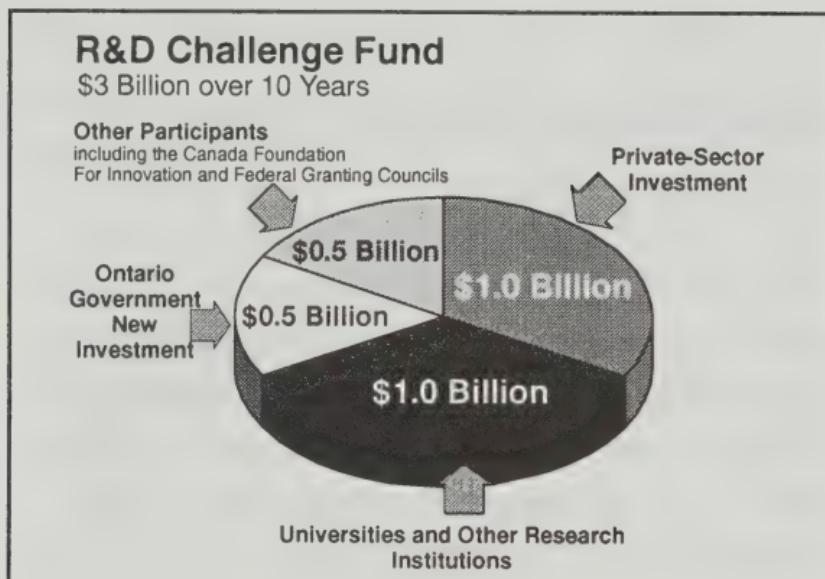
This measure will provide students enrolled in leading edge technology educational programs, such as software development, with a 10 per cent tax credit voucher for employers who hire them in jobs related to their program of study.

CREATING JOBS FOR THE FUTURE

Keeping Ontario at the leading edge of science and technology will help the province create long-term jobs. We need to promote more collaboration and cooperation with the private sector and we need to stimulate greater competition for research excellence among Ontario's universities.

Ontario Finance Minister Ernie Eves

To help the private sector take advantage of our world-class research capabilities in universities and other research institutions, the Government is announcing the creation of a 10-year, \$3-billion R&D Challenge Fund.



The province will contribute \$500 million in new funding to the R&D Challenge fund over the next 10 years.

The R&D Challenge Fund marks a new, competitively-based approach to research. All proposals to the R&D Challenge Fund will have to meet a market test linked directly to future economic growth and job creation, in the form of a one-third contribution from the private sector.

The Government will support its commitment to R&D through the Ontario Business-Research Institute Tax Credit for qualifying business-sponsored R&D performed by eligible universities, research

hospitals, and other non-profit research centres. The Government will also extend the sales tax exemption for research and development equipment purchase to non-profit medical facilities, and will remove tax barriers to R&D.

INVESTING IN QUALITY HEALTH CARE

We are making sure that the money we are allocating for health care provides services for patients and not for bureaucratic waste. By managing the system better, we are providing a higher quality, integrated community-based health care system for the future.

Ontario Finance Minister Ernie Eves

Record Investment in Health Care

The Government is more than meeting its commitment to maintain health care funding at \$17.4 billion. For 1997-98, Ministry of Health program funding to improve the quality of care will exceed \$17.8 billion. As well, \$450 million will be invested in restructuring and \$242 million provided for capital construction bring the total funding for health care to \$18.5 million.

The recommendations of the Health Services Restructuring Commission will allow this province to put in place the most

modern and effective health care system in this country.

The investments needed to achieve this goal are substantial. Over the next five years, \$2.7 billion will be invested in restructuring our community-based health care system. We are keeping the promise to reinvest.

Managing Change to Ensure Better Services

We will ensure that special skills and knowledge are available throughout Ontario by helping to create networks of information. These networks will make best practices and innovations available quickly and broadly, providing the knowledge needed by care-givers to help people across the province.

For example, Cancer Care Ontario will link and integrate cancer services throughout the province.

INVESTING IN EXCELLENCE IN THE CLASSROOM

From 1985 to 1995, school board spending grew by 82 per cent. School property tax revenues rose by more than 120 per cent. We know that this did not result from increasing enrolment, as that grew by only 16 per cent.

The solution for the problems in the school system is the same as it is for the province

itself. We have to eliminate unproductive spending. We have to stop the uncontrolled growth in taxes. That is the problem. We are fixing it.

Ontario Finance Minister Ernie Eves

We have committed \$650 million over the next two years to renew and build schools. School boards will be able to replace more than 1,000 portable classrooms with permanent facilities.

We are inviting the teaching profession to join us in providing early retirement benefit for teachers to renew the profession. As a result of this incentive, up to 6,500 new teachers would have the opportunity to bring their skills and energy to the classroom of this Province.

INVESTING IN COLLEGE AND UNIVERSITY STUDENTS

The Ontario Student Opportunities Trust Funds, established in last year's Budget, help good students who face financial barriers to get a college or university degree. Cash and pledges total over \$250 million. The Province will match this amount, creating an endowment of **half a billion dollars to assist students.**

Because they face special fundraising challenges, the Government is announcing that colleges of applied arts and technology can continue to receive pledges and donations until March 31, 1998.

Pilot projects will help learning disabled students get the kind of meaningful help they need to make the transition to college or university. Dr. Bette Stephenson will head a task force to design and implement these project. We will provide \$30 million over the next five years to carry out this initiative and implement the recommendations of the task force.

Student loan support must better reflect the rewards that students realize from public investment in their education. We are committed to working with the federal government to implement an income-contingent student loan program for September 1998.

INVESTING IN CHILDREN AND FAMILIES

Ninety thousand families and 125,000 children will benefit from a new child care tax credit to assist working families who are not benefiting from current institutional child care system.

This new system will provide more choice to parents and help child care providers

make care more affordable. More families will receive assistance, with priority being given to families who need help to start or stay at work.

Ontario supports the inter-provincial initiative for a National Child Benefit. We will redirect \$150 million in provincial funds by expanding programs that help families with children to find and keep jobs.

We will enrich the Ontario Tax Reduction program to reduce taxes for 30,000 low-income individuals and families. Twenty thousand more individuals and families will pay no Ontario income tax as a result of this change.

In total, the Ontario Tax Reduction cuts taxes for 530,000 individuals and families eliminates Ontario income tax entirely for another 655,000 individuals and families.

SUPPORTING SAFE COMMUNITIES

Our plan places a high priority on improving safety in our communities and dealing with violent crime.

To complement the community safety initiatives of the police, the government will assist community groups through the Volunteer Linkages program to better screen and supervise volunteers.

The Minister Responsible for Women's Issues will be announcing a comprehensive strategy which will strengthen our efforts to prevent violence against women. We will spend an additional \$27 million over the next four years to support women and their families in breaking the cycle of violence.

To promote safety in our communities, The Government will work with municipalities to help them establish "community safety zones" -- for example, school zones and crossings, school bus stops, or areas of roadways with high accident rates. Fines levied for infractions in these zones would be doubled.

We will provide \$25 million over the next five years to improve the way police forces work together to investigate and apprehend serial predators.

LESS GOVERNMENT

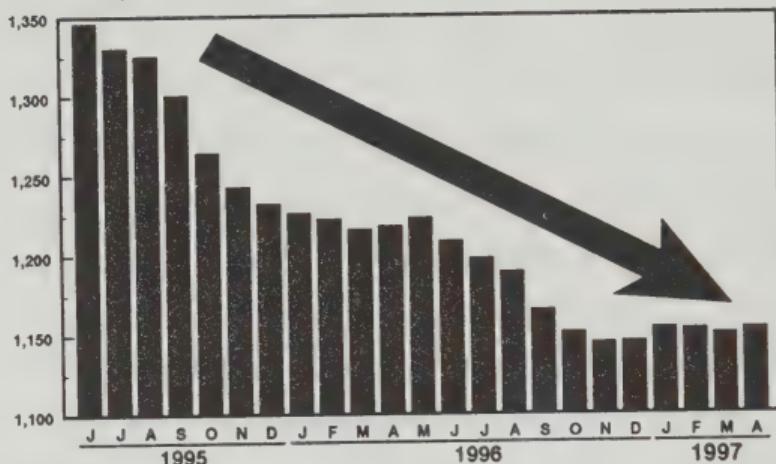
Part of our plan to reduce the role and size of government is getting people off welfare and into work.

The Government has increased the incentive to work, reduced benefits to realistic levels, introduced mandatory workfare and cracked down on welfare fraud.

193,000 fewer people rely on social assistance today than when this Government took office.

193,000 Off Welfare in 22 Months

Number of People on Welfare (Thousands)



Source: Ontario Ministry of Community and Social Services

To improve accountability in the public sector, the Government will introduce the Public Sector Accountability Act. This Act will require that public sector organizations:

- ◆ report their financial activities in accordance with the recommendations of the Canadian Institute of Chartered Accountants;
- ◆ adopt policies that ensure that the private sector has an open opportunity to compete to provide services to their organizations; and
- ◆ adopt and publicly report on organizational performance using private and public sector benchmarks.

CUTTING TAXES AND CREATING JOBS

We have promised to cut personal income tax rates by 30 per cent over three years to create jobs. The 1997 Budget delivers on the next two steps of that tax cut.

Effective July 1, Ontario's personal income tax rate will be reduced to 47 per cent of basic federal tax. On January 1, 1998, the income tax rate will be reduced further to 45 per cent.

This means that by next January, we will have cut Ontario's rate of income tax by 22.4 per cent since 1995.

The benefits of our plan to cut taxes are clear.

- ◆ 91 per cent of all taxpayers will see an Ontario tax cut of 30 per cent or more.
- ◆ All taxpayers with incomes of \$60,000 or less will see their Ontario taxes fall by 30 per cent or more.

CONCLUSION

This Budget continues the implementation of the government's plan.

The plan keeps us on track for a balanced budget in 2000-01 and makes government more accountable to taxpayers.

It invests in the economy by helping small and medium size firms in communities across Ontario get access to the financing they need to grow and create jobs.

This plan makes record investments in research and development to create jobs for the future.

It makes communities safer throughout Ontario by protecting our children and our neighbourhoods.

This Budget assists hard working families throughout Ontario. It provides help to many more young families with child care expenses.

The plan invests in education. It invests where the money is needed – in the classroom.

The plan ensures our commitment to provide quality health care for all Ontarians now and for the future.

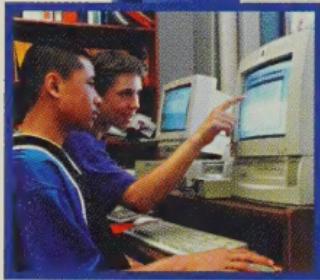
It allows taxpayers to keep more of their hard-earned money by cutting personal income taxes. In total we have cut taxes 30 times in less than two years.

Our plan creates jobs for the future.

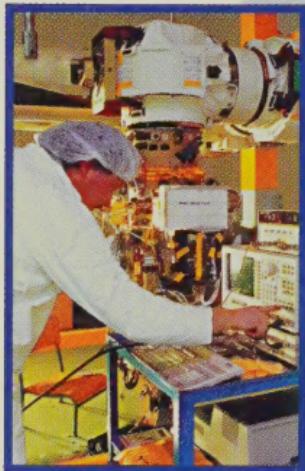
Our plan lays the foundations for a better tomorrow by investing in the future today.

Ontario Finance Minister Ernie Eves

Investing in the
Future



EDUCATION



JOBS

ONTARIO

